

with Philip Morris in 1962, was quite different. With great success they inserted the American advertising campaign without changing it and very quickly achieved large shares of the market.

In response to the question of whether it was not risky for a licensor to disclose to the licensee the complete composition of the cigarette, Albert Bellot said, "Naturally this problem exists, but we thereby got rid of the problem and became successful. First of all, there is the so-called Marlboro sauce, as we call it. This sauce consists of all the ingredients that contribute to having the tobacco acquire the quite specific flavor. Every American cigarette has its own sauce. At Philip Morris it was the policy that at any given time never more than two persons know this secret formula, which is kept in a safe to which only these two employees have access.

"So at the beginning only the finished sauce was sent to our licensees. In addition, they were supplied by us with the various kinds of tobacco and precise details about the mixing proportions. Although we were very careful in the choice of our licensees, we of course first had to get to know these good people better. At the beginning, we supplied them with cut filler, which is tobacco that has already been cut and mixed. The recipient had only to feed it into his cigarette machines, and perfect Marlboro cigarettes would emerge at the end of the production line.

"In this manner, no secrets were disclosed. At a later period, licensees were provided with blend strips. These strips

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are the part of the leaf that is left over after the stem has been removed. The various kinds of leaves are then mixed and shipped in large, pressed blocks. With this arrangement, the licensee has to cut the strips and mix them with the sauce. This was the second step after a period of time when a relationship of greater trust had been established.

"After further close cooperation we took the third step that involved real confidence in the licensee. We told them that since they lived in Germany or Greece it makes little sense to send them Greek or Turkish tobacco from America. At this point they should instead purchase the Greek and Turkish tobacco themselves. We indicated the appropriate quality level and offered them the possibility of doing their purchasing through our own purchasing system. Our licensees were supplied from this purchasing pool at the cost price, which resulted in significantly reducing their expenses.

"The last step involved making it possible for them to do their buying of the various kinds of tobacco that must be used in the manufacture of Marlboro cigarettes through our purchasing system. They themselves then remove the stem from the tobacco leaves and make the desired mixture. A licensee entrusted with this much responsibility had usually been working with our experts for five or six years. Despite this intimate knowledge, no licensee has either attempted nor succeeded in copying the unique flavor of Marlboro."

In 1963 a licensing agreement was made with the Italian cigarette monopoly and with the Austria Tabakwerke AG of Austria

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for the manufacture and distribution of Marlboro. In late 1963 the Swiss company, Fabriques de Tabac Reunies SA, became the first subsidiary that manufactured Philip Morris cigarettes in Europe. That same year, the Marlboro country campaign was launched in the U.S.

A year later, 1964, Finland became the first country in all of Europe to use the American Marlboro country campaign, while Switzerland, Sweden, Germany, France, Austria, and Italy also hesitated to make the change. Both licensor and licensee were themselves not certain whether the time had come for this change. Albert Bellot: "After all, we didn't want to make a mistake. We were of the opinion that our public was not yet able to deal with this change. We didn't want to introduce a change that would turn out badly, necessitating still another change. An experienced marketing man knows that something that is not yet right today can be absolutely right within two years. For this reason, we retained the two campaigns, one in Germany and one in Switzerland, that were already running.

"In Switzerland a typical jet-set campaign was used--fast cars, beautiful women, well-dressed men, all vacationing in Acapulco, Monte Carlo, St. Tropez, or some exclusive spot--that was very sexy, very colorful, very contemporary, chic, including somewhat avant garde clothing for the women. The Swiss campaign also ran in Sweden, France, Spain, Italy, and Austria, while the German campaign also ran in Holland.

"At that time, things were somewhat more bourgeois in Germany, where it was said that the Germans were more interested

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in having beautiful homes with all the latest comforts and a nice family with lovely children. I am talking about the 50s and 60s. It's different though today. Germany goes to greater extremes than elsewhere, but at that time Germany was not swinging at all. The people there more interested in security and coziness, a good and honorable life, so we ran our campaign on this basis.

"The motifs, for instance, showed a man at home, serving his friends a meal lovingly prepared by his wife. Nothing was too fashionable but was cozy and solid. Looking back, I believe our German agency made a mistake and that Germany was ready at an earlier period for something more lively and exciting. But after all the men at the agency were Germans, and they knew what we at Philip Morris had in mind. At that time I told my American colleagues that we were not in a position, in fact did not have the right to tell them what to do or or to doubt their judgment. But my inner voice told me even at that time that the decision was wrong."

In 1965 Philip Morris made a licensing agreement with the French cigarette monopoly, Seita.

An important decision was made in Paris in 1969. At Albert Bellot's instigation there was a meeting between him and Joseph F. Cullman, who was chairman of the board at that time, at which Bellot outlined his plan to build a separate factory in Germany. Bellot had arranged for his Swedish friend, Stoffan Gunnarson, to be under contract with Philip Morris, partly because he spoke German fluently and was very familiar with

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Germany. Together with him, Albert Bellot presented his five-year plan to Joseph Cullman.

The goal of this strategic planning was to achieve a market share of five percent in Germany within five years. Albert Bellot: "He looked at us and laughed out loud. He told us straight out that we would never reach this goal. I replied, 'Maybe you are right that we really won't reach it, but we have set this goal because we believe we can reach it.' Cullman then asked for details. We explained to him how the project was to be financed and that because of the tax subsidies we wanted to build the first factory in Berlin. New York was to support us with all possible means, and in the meantime we would build up a team whose German technicians and machinists would be at least as good if not better than their American colleagues.

"The presentation of our strategy lasted almost a whole day. Cullman praised our work in preparing the plan but was still doubtful that we could reach the five percent goal within five years. At that time, the entire German market amounted to approximately 125 billion cigarettes annually. Our goal at that time was more than six billion Marlboro per year, which meant 500 million Marlboro per month.

"Cullman asked us repeatedly whether we really believed that we could increase the sales fivefold within this brief period of time. He mentioned that although Germany was a large market, there were many competitors, and they would certainly not permit us to achieve such large market shares. Ultimately Cullman agreed to our plan, and five years later we had gained

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six percent of the market share."

A year after this discussion, the licensing agreement with Martin Brinkmann that had been in effect since 1969 expired. In 1971 the Philip Morris factory in Berlin started production, and once they started doing their own manufacturing the advertising campaign in Germany was changed. "What had been done up to that time was right. The Germans knew what they were doing. They had introduced a good campaign, but it was one without guts. It lacked a vivid presentation and didn't have enough character. Our first advertising campaign in Germany, which adopted the Marlboro country campaign, was called 'Freedom and Adventure.'

With the introduction of the new advertising campaign, volume shot up right away to more than 300 <sup>million</sup> ~~billion~~ Marlboro per month. The decision to use in Europe the campaign that had been so successful in America was not easy for the European representatives. Albert Bellot can recall several heated discussions in his Lausanne office--at that time, the European headquarters of Philip Morris had moved from Paris to Switzerland--which basically came to the conclusion that in all of Europe there was quite a lot of anti-Americanism that would support the cowboy image.

"We believed the cowboy was much too dare-devil and that he too much incorporated the image of the dominating American. Today we know that our cowboy is not at all dominating, but at that time we thought that in order to sell a first-class product of a higher price category we would need a less brutal, less shocking subject with a less subtle effect. The Swiss campaign

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came closest to meeting these qualifications.

"At that time, the young people were absolutely receptive to jeans and cowboy boots, but nobody was really willing to believe in the success of the Marlboro country campaign." The decisive success in Germany laid all these doubts to rest. The sales exploded and 'the real money-earning started!'"

Instead of \$.50 per 1,000 cigarettes, Philip Morris suddenly made \$2.00-\$2.50 with three to six times greater volume. The higher profit was mainly invested in training more personnel, which in time turned out to be a very successful strategy.

Philip Morris drew their conclusions from the experiences in Germany. Between 1970 and 1975, a total of six separate factories were built in Europe--in Holland, Belgium, England, Germany (in Berlin and Munich), and Switzerland.

By being able to shorten the delivery distance to the European market as a result of locally manufactured cigarettes, Western Europe grew into the second most important market in the entire world. This development can be partly attributed to the fact that in December 1972 Marlboro became for the first time the best-selling cigarette in the world. Not until three years later did Marlboro get on the bestseller list on the American market.

Albert Bellot recalls another milestone in the international distribution of Marlboro, mentioning that, "After having chalked up success with licensing agreements and the construction of our own factories in Western Europe, our

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The main export countries for raw tobacco used by Philip Morris are:

<u>Virginia</u>	<u>Burley</u>	<u>Oriental</u>
U.S.	U.S.	Greece
Argentina	Greece	Soviet Union
Brazil	Guatemala	Turkey
Italy	Honduras	
Canada	Italy	
Korea	Malawi	
Malawi	Mexico	
Philippines	Zimbabwe	
Poland		
Thailand		
Hungary		

#### Tobacco Cultivation

Tobacco seed is very fine and can hardly be recognized with the naked eye. Approximately 12,000 grains weigh only one gram. To assure an even distribution, the small grains of seed are mixed with sand or ash and then put into the seed beds.

After six weeks, the small seedlings are replanted to assure sufficient space between the plants when they reach their mature growth of 6½ to 10 feet.

For the cultivation of Virginia and Burley, approximately 1,400 plants are set out in 10,760 square feet of land. The length of time from the seedling state to the mature tobacco plant is four months.

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attention turned to the East European market. As early as 1960, I said that we didn't want to be content with the modest imports that had to be paid in dollars. In this way the poor people would never achieve a suitable profit. Even at that time my deliberations focused on a suburban factory in Eastern Europe also."

The only promising strategy was via the same route as in Western Europe--in other words, licensing agreements. To make certain that the licensee had sufficient money to import the tobaccos needed for the manufacture of Marlboro, barter guilds had to be set up. With the aid of these three-corner deals, the East European countries would get the possibility of earning foreign currency to pay for the tobaccos that were computed in dollars.

There had been contacts with Eastern Europe since 1960, dating from the time when Albert Bellot, who considered himself the leading person in the tobacco industry, travelled to Poland. After a trip that included stops in Danzig, Krakau, Posnau, and Warsaw, he made a contract with a company called Valtona which delivered duty-free merchandise to the Polish ships in the harbor. The deal was made in terms of dollars since the products, which included whiskey as well as cigarettes, were resold at somewhat higher dollar amounts.

Albert Bellot summarized the venture into Eastern European business, saying "As a result of this good profit, the Poles were fairly easily able to pay our exports in dollars," cheerfully adding, "Even if we occasionally had to wait a little

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longer for payment, it was and is business."

The Polish market reached its highpoint with two billion Marlboro annually before the market lost purchasing power due to domestic political problems.

The first licensing agreement in Yugoslavia was made in October 1969 with the Fabrika Duvana Sarajeva. Four years later, a licensing agreement was made with ZPI, the Polish cigarette industry, for the manufacture of Marlboro in Poland. In September 1975, a similar licensing agreement was made with Bulgartabak, and in 1978 an agreement was made with the Eger Tobacco Factory in Hungary. Up to the present, Marlboro has only been exported to Russia from Richmond. "As a supplement we have begun to teach the Russians to plant good tobacco in some parts, particularly in Muldavia," according to Albert Bellot's description of the status at that time of business relations between Philip Morris and the USSR.

"Muldavia formerly belonged to Rumania, that part of the East that was annexed by the Russians. We sent tobacco specialists into this region to teach the Russians how to cultivate tobacco that could some day be used for manufacturing Marlboro. In our estimation, it is the only possibility within the foreseeable future of producing in the USSR by the year 2000, eliminating the necessity of Russia's having to buy our tobacco for dollars.

Unfortunately I myself was never in Russia, but have been told by friends that the young Russians now want this tobacco. The young people there are not different from the ones in Germany, Switzerland, or France. All of them want the same

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thing--jeans, rock music, sometimes they also want drugs, and they want to smoke. But not just any cigarette, they want an image. They want Levi's, they want Marlboro, and they want Coca-Cola. And it seems the Russians have understood that among the youth this drive is so strong that they must yield to it if they want to avoid great difficulties.

Against this background, we made them the offer of supporting the cultivation of suitable tobaccos. We made no secret of the fact that we would not manufacture any Marlboro in the USSR but would do it just to get a foothold in the Russian market even though by doing so we would be gambling the goodwill bonus of the company all over the world. Pointing out that an increasing number of people visit Russia, both business people and tourists, we made them the offer of importing Marlboro.

"Today Marlboro is manufactured under a licensing agreement only in Austria for small segments of the market in Italy and Spain. All other countries within the European Community are supplied with cigarettes manufactured in Europe. The great success of the relatively new brand of Marlboro in Europe is not exclusively the result of the advertising. Hand in hand with the targeted and unified advertising that has not changed since the 70s, there was a clever, factual, and unifying blanket of promotion.

Probably the most successful promotion idea was Marlboro's entrance into the Formula I Circus, about which Albert Bellot says, "When we decided to participate in Formula I, we already knew that it would be a suitable platform for us. Formula I has

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an image that fits our cigarette, because there are parallels between the Formula I pilots and the Marlboro cowboy. Formula I is nothing but a car and a driver, freedom, adventure, courage, and sex. All in all, these things make up what our young people casually call cool.

In 1984, two years before Albert Bellot retired, by his own admission he fell from grace, because his colleagues absolutely wanted to become sponsors of the international soccer championship matches. He said a clear no to the Spanish sponsor's \$12-million offer, because he considered an investment of \$12 million for the right to display posters and slides in every Spanish stadium simply too high.

Posing the most important question to the promoters of this sponsorship, 'What's that supposed to mean anyway?', Albert Bellot describes his thoughts about the principle of keeping the Marlboro sponsorship clean, so to speak: "We want to build up a very particular image around Marlboro. I dared raise the question of whether a large stadium full of people screaming, people we don't even get a close look at, is really the right atmosphere for a brand like Marlboro. Whether that really fits the image of freedom and adventure, the image of strong, independent characters such as cowboys. To keep all the participants in a good mood, I initially negotiated the price down to \$6 million and only then stated that we would not participate. Quite logically the sponsorship was then offered to Reynolds, and they signed it."

This consistent defense of an ingenious, controversial

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advertising campaign not only assured the steady rise of a big international brand but also, consciously or unconsciously, changed everyday life.

In the industrial nations this appealing, easily translated advertising message of the Marlboro cowboy unquestionably influenced attitudes regarding leisure. The aura of freedom and adventure conveyed by this vividly presented, individual champion of everyday life has surely been the inspiration for many expressions of the quest for relaxation from the constraints of the workaday world in our achievement-oriented society.

The boom in the sale of four-wheel vehicles, the trend toward the motorcycle, the growing number of lone travelers trying to find their way with a map and a compass are nothing other than a pale, contemporary substitute for the cowboy's saddled horse. The motif is the same--to be free, independent, to resume control of one's life, to escape the constraints of our everyday life, and to use leisure in imitating the cowboy and his virtues.

#### From the Tobacco Plant to the Filter Cigarette

The tobacco plant is an annual of the genus called nightshade whose blossoms open only at night. The most important kinds of tobacco are Virginia, Burley, and Oriental.

#### Virginia

Virginia tobacco is cultivated in large tracts mainly in

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the U.S. along the East coast of the Southern states as well as in Canada, China, India, Zimbabwe, Brazil, and Italy. It grows in flat terrain and is harvested, depending upon the placement of the plant, by removal of the leaves from the top to the bottom. To some extent, as in the U.S., the harvesting is done by machine, but in other countries the tobacco leaves are removed by hand and are then dried by hot air (flue-cured drying). This method of drying releases a biochemical process in the leaf that yields the typical Virginia taste of a smoke that is milder, fuller, and slightly sweeter than other tobaccos. The color of the dried leaf ranges from light yellow-orange to ocher.

### Burley

The main area for the cultivation of Burley is Kentucky and several neighboring states as well as Mexico, Malawi, Korea, Greece, and Italy. It is grown on small parcels (on an average, a farmer plants two-and-a-half acres), in hilly terrain that makes machine harvest impossible. In contrast to the Virginia tobacco, the whole plant of Burley is harvested and is hung up in sheds to dry (air-cured drying).

The dried leaves, ranging in color from nut-brown to dark brown, are prized for their aromatic, strong taste.

### Oriental

The traditional cultivation areas for Oriental tobacco are in Turkey and Greece as well as Bulgaria and the Soviet

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Union along the Black Sea. Oriental tobacco grows best on gentle slopes situated diagonally toward the sun. The size of the plant is small, but the leaves are rich in aromatic substances. As with Virginia tobacco, harvesting is from top to bottom, based on the location of the plant, but with the stipulation that it must take place at dawn. Harvesting is stopped when the sun rises, because the dew on the leaves would produce brown spots.

The harvested leaves are strung together and dried in the sun (sun-cured drying). Depending upon conditions in the tobacco fields, the dried leaves range in color through many nuances from bright yellow to an intense brown.

#### World Production

Tobacco now grows in all parts of the world. Total cultivation in 1984 amounted to 6,100,000 tons.

The largest tobacco-producing countries are:

<u>Country</u>	<u>Amount Produced</u>	<u>Main Kinds</u>
U.S.	784,000 tons	Virginia, Burley
China	1,500,000 tons	Virginia
India	450,000 tons	Virginia
Brazil	340,000 tons	Virginia
Soviet Union	361,000 tons	Oriental, Machorka
Turkey	175,000 tons	Oriental

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While Virginia and Burley tobacco grow to be  $6\frac{1}{2}$  to 10 feet tall, Oriental tobacco is fully grown when it reaches 30 to 40 inches.

Tobacco is the kind of plant that has strong reproductive power. From the tobacco seed grain (weighing approximately 0.1 milligram) to the matured tobacco plant (weighing approximately 2 kilos), the initial weight increases by 20 million within six months. The yield of Virginia and Burley tobacco from an area of 10,760 square feet is approximately 2,000 kilograms when it is green. Cultivation of Oriental tobacco in an area of comparable size yields approximately 600 kilograms of the small green leaves.

After harvesting the tobacco is dried. This process takes longest--5 to 8 weeks--with the Burley plants. It is then loosely bundled, each bundle containing approximately 25 leaves, and piled up in auction halls.

#### Tobacco Auction

An established quality-grading occurs even during the process of laying out the tobacco in the auction hall. The buyers carefully inspect it, so to speak tasting it with their eyes, hands, and noses, before the auction begins.

The auctioneer rattles off the prices for the specific grades of tobacco so quickly that it sounds like singing. The buyers make their offers through hand and finger movements that have a specific meaning. The auctioneer notes all these signs and knows very precisely who is bidding and who has dropped out.

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After the auction the Virginia and Burley that were sold are moistened and freed of bacteria, a process that involves passing the tobacco through equipment for drying, cooling, heating, and remoistening. It is then packed in sturdy folding cartons in which it can ripen as long as two years following shipment to the tobacco purchasers. The traditional packaging into wooden kegs and cartons is hardly in use any longer.

Oriental tobacco is pressed into balls and sewed up in jute in which it is fermented under controlled storage conditions for approximately a year. Less time-consuming is fermentation in special chambers, in which the process can be accelerated through the regulation of the moisture of the air and through warmth. Depending upon the control, chamber fermentation takes from one to six weeks.

After a transition period in the warming state to avoid a temperature shock, the raw tobacco can be sent to the cigarette factories.

Fermentation is a process for the development of aroma similar to that used for coffee or tea. This seasoning or ripening process of the tobacco starts with the drying and ends only with the beginning of the processing for the manufacture of cigarettes. During fermentation protein substances and traces of sugar are disintegrated through biochemical changes which lead to the development of substances that very favorably influence the aroma. In addition, the nicotine content of the tobacco is diminished in fermentation by approximately 10 percent.

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The fermentation occurs via various methods, depending upon the kind of tobacco and its intended use. The qualities of the tobacco from the producer countries vary with each harvest. As with wine, the quality depends upon the weather conditions in any given period of time, but these differences should not affect the taste of a particular cigarette brand. For this reason, after each harvest as many as 50 different kinds of tobacco comprising the mixture of a cigarette must be compared to assure that the taste is always up to the usual standard.

To be able to guarantee that the quality of the mixture remains the same, large supplies of tobacco are necessary in order to be better able to standardize the varying harvests of each year.

For this reason, Philip Morris of Germany maintains tobacco factory warehouses in Berlin and Munich as well as warehouses in Bremen, Hamburg, Antwerp, and Rotterdam.

#### Cigarette Manufacture

Approximately three-fourths of the entire world crop of raw tobacco is made into cigarettes. The first step in the processing of tobacco is to remove the packaging from the raw tobacco. Then the separate quantities of Virginia, Burley, and Oriental as well as the foil (which is made from leftover tobacco) are weighed according to a precisely worked-out mixture recipe and are treated separately.

The pressed and dried tobaccos are first moistened with steam to loosen them up and avoid breakage of the leaves. This

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moistening process is called conditioning.

The next step is the saucing of the tobaccos (except for the foil), which involves the addition of a taste substance.

The composition of these sauces, a strictly kept secret, includes various natural products such as chocolate or honey. All additives must comply with the standards prescribed by the laws relating to food and utilitarian objects.

The Virginia, Burley, and Oriental tobaccos as well as the foil are blended together in the so-called mixture box. The most important function of this box is to assure the mixture of all these kinds of tobacco in such a manner that the same quantities of each kind of tobacco are ultimately present in each separate cigarette.

The tobacco mixture moves through shaking troughs to the cutting machine, where the action of rotary knives yield cut tobacco approximately .8 millimeter thick.

The tobacco mixture is then given the so-called rib cut. In this process the ribs, which have already been separated from the tobacco leaves, are delivered and, after moistening, are rolled in the tobacco mixture and are then cut like the leaves. The ribs are an important part of the mixture, since after a special processing they have a great absorption capacity and, because of their lower levels of such smoke substances, stabilize or lower the nicotine and condensate levels of the mixture.

The complete cut-tobacco mixture now goes through the flavor drum, where the last rounding-off of the taste occurs. To assure the even distribution of the aromatic substances, they

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are mixed with alcohol and sprayed onto the tobacco. The alcohol then evaporates from the tobacco mixture.

Like the saucing, the substances used for the flavor are of natural origin and comply with the standards of the food laws. The cut tobacco mixture is now completely processed for the manufacture of cigarettes.

From the bunkering installation where the cut tobacco has meanwhile arrived, the so-called phase machine receives the necessary quantity of tobacco by means of electronically controlled suction equipment.

The phase machine makes an endless cigarette strand from the tobacco mixture and a roll of paper that is fed into it. The cigarette strand is checked for the proper density of tobacco filling and is then cut into cigarettes.

Now the cigarettes go into the filter insertion machine, where a double filter is placed between the cigarettes and wrapped with the mouthpiece in such a manner that filter and cigarette are connected.

This "double cigarette" must now still be cut through the middle for the creation of two finished filter cigarettes.

Functioning in this manner, modern machines produce as many as 7,000 cigarettes per minute.

With modern machines the finished cigarettes go directly into a cigarette storage <sup>container</sup> on the way to the packaging machine. The components of the fully automatic packaging machine are connected through conveyor belts. Up to the finished carton, the cigarettes run through four related stations: the pack

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machine, the cellophaner machine, the packager, and the carton-filler. Modern machines combine these four stations into one unit.

In the manufacturing process a distinction is made between soft-pack and hard-box packaging. In the manufacture of the soft-pack, the tinfoil insert is first placed in the packaging machine, and then the packing cut is placed around the full quantity of cigarettes and glued.

In contrast, for hard-box packaging the cigarettes have already been provided with the tinfoil insertion prior to being shoved into the preformed package. Revenue stamps are then glued onto the packages, which then move on to the cellophaner machine.

The last station of the cigarette is the so-called carton filler. Conveyor belts carry the cigarette carton to this station, where the right number of cartons are packed into a box and sealed with gummed tape.

#### Cigarette Paper

The raw material primarily used in the manufacture of cigarette paper is cellulose. Additives of kaolin and other natural products contribute to the color, flavor, and the particular glow capacity. The weight of a square meter of cigarette paper for industrial manufacture is approximately 20 to 22 grams; for self-rolled cigarettes it is approximately 3 grams.

The following characteristics are prerequisites for use in

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cigarette manufacturing: porosity, neutral taste, and even burning.

The quality and degree of cleanliness are constantly checked to assure compliance with extremely high standards. The glow capacity of the paper is a particularly important factor. Thus, for example, an Oriental mixture requires a low-fat, particularly light paper. A Virginia mixture also requires a low-fat paper, but it must be robust to be able to influence and supplement the specific flavor in this direction. The so-called black cigarette, on the other hand, requires mostly a fatty paper of quite a different strength to impede the paper from burning faster than the tobacco.

The rate at which a cigarette burns can therefore be accelerated or slowed down by the choice of the cigarette paper.

#### Filter

Cigarette filters were formerly made of crepe paper, but today they are primarily made from cellulose acetate, a product derived from cotton.

The filter material is delivered in its curled state and, similar to the strand formation at the cigarette manufacturing machine, is wrapped with paper.

By means of various presses to uncurl the cellulose acetate, it is possible to vary the cigarette's draw-resistance as well as to influence the effect of the filter when the cigarette is being smoked.

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### Mouthpiece

The mouthpiece covering was originally intended to impede the paper from sticking to the smoker's lips. In filter cigarettes, however, it serves to hold the strand of tobacco and the filter together.

Today there is an attempt, through the use of porous mouthpiece coverings with the appropriate filter, to permit a flow of fresh air into the filter, thereby reducing the nicotine and condensate levels. The important factor is to assure the ventilation of the filter or of the entire cigarette.

### Philip Morris GmbH

A new era began on March 2, 1970 after Albert Bellot, the pioneer for Philip Morris Europe, was able to convince New York headquarters that it was time to build up its own subsidiary in West Germany. Philip Morris Germany GmbH was founded as a marketing company in Dr. Werner Deuchler's law offices located in the Alte Poststrasse of Hamburg.

The first Philip Morris office in Germany was set up in a two-room apartment on the outskirts of Frankfurt.

"Transportation considerations and the importance of Frankfurt as an international financial center were decisive factors in our decision to move from the Elbe to the Main," according to Dr. Werner Deuchler, chairman of the advisory council of the new Philip Morris Germany GmbH.

The two-room apartment in the section of Frankfurt called Eschersheim had to be optimally used. Wilfried Becker, sales and distribution manager of the new company, worked in the

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living room with three other employees. Thorisman Wolff, the brand new advertising director, set up his office in the bedroom.

Wolff took advantage of the propitious moment. For practical reasons, he used the space after the day's work for its intended purpose by spending the night in his office.

A photocopy machine was set up in the kitchen. In September of that year the first sales promoter for the areas of Frankfurt, Munich, and Duesseldorf was hired. By the end of the year, Philip Morris Germany GmbH had ten employees. The company atmosphere was casual and somewhat provincial.

Thorisman Wolff: "Every day the postman handed us the mail through the balcony." At the end of the year, the company was faced with an important decision. Steffan Gunnarson had the choice of retaining the Martin Brinkmann advertising campaign, developing a new campaign, or of taking over the American Marlboro country campaign for Germany. Ultimately the task was to actually be able to realize the projected sales results within the period of time that had been promised to the New York headquarters.

For this reason, employees of the advertising agency flew to New York in November to inform themselves in greater detail about the Marlboro country campaign. By the end of the year, Marlboro sales were 1.4 billion, representing a market share of 1.2 percent in Germany. Marlboro now ranked fourteen among the list of the most popular brands.

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1971

In 1971 the ban on radio and television advertising went into effect, and the decision was made in favor of the Marlboro country campaign. The German translation of the slogan, "Marlboro, the flavor of freedom and adventure," was used for the first time in advertising, and in March 1971 the company moved from the former dentist's office into new office space in the Selmi skyscraper in Frankfurt.

"It all started with a Western hat," was the title used in the Philip Morris report to describe the first independent promotion in Germany on the occasion of the company's first ten years in Germany.

"There was a broad-brimmed Western hat at the beginning of all sales-promotion activities by Philip Morris in Germany. The idea was initiated one night in December 1970 by three men in a country house in Taunus. It became not only the gag for the first Marlboro promotion but provided the German hat industry with their top seller of the year 1971, when the hat popularized by the Marlboro country campaign became Germany's most popular leisure headgear. Many figures in public life--politicians, businessmen, and performers--wore it, and so did tens of thousands of German enthusiasts of freedom and adventure. Up to the present, this felt hat with its brim turned up on the sides, a trademark of the American cowboy since the 60s in the previous century, has sold by the thousands in Germany.

As many as 426,000 Germans also participated in a contest. The entry forms, distributed in 4,122 stores, displayed six

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different hats. The task was to correctly identify the genuine Marlboro hat.

In late September, nine months after the start of the contest, the tally showed that almost the entire population of West Germany had heard of the Marlboro hat. The promotion was covered by 533 newspapers and magazines with a total printing of more than 30 million copies.

Another promotional idea was the goodwill tour of a Marlboro stagecoach through 24 German cities. In conjunction with a new advertising plan, this tour, using an original Western mail-coach, boosted Marlboro sales to 1.77 billion cigarettes and pushed the product up to number 12 on the list of bestsellers.

In December 1971, Philip Morris Germany GmbH received approval from New York headquarters to acquire the building of Schröder & Wagner, a printer in Berlin, for the purpose of converting it to a cigarette factory.

#### 1972

The renovation of what became the Philip Morris Werk, Berlin, started during the year of the Olympic games in Munich and President Nixon's trip to China. Within the record-breaking period of three months, the first Marlboro came off the assembly line in the Berliner-Werk in May 1972.

The capacity of the factory was intended for six billion cigarettes, which at that time corresponded to three times the annual volume. After the licensing agreement with Martin

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Brinkmann expired in July 1972, Philip Morris also took over its own distribution.

Despite the fact that strikes in England and Italy impeded the delivery of urgently needed machines for the Berlin factory, it succeeded in completely supplying the German market for the first time in September of that year. By the end of the year, Marlboro had sold 2.46 billion cigarettes, achieved a market share of two percent, and ranked number eleven among the bestsellers.

The commemorative volume celebrating the tenth year of Philip Morris GmbH, entitled Die Berliner, contained an article reporting that "in 1972 the Philip Morris employees prepared the glue for the cigarette paper in a 30-liter pot.

"There was nothing but soup and frankfurters in the cantine, and when cook Rosemarie, known as Rosi Rosentreter, needed more water, a coworker had to fetch it from the bathroom. Improvisation was the order of the day in those first weeks of the year 1972. Ingrid Krause and Helga Braun, the first machine operators in the cigarette factory, recall how they had to wear helmets while working, because workmen were installing a false ceiling in the machinery room."

On January 2, 1972 Philip Morris had taken over the Schröder & Wagner building. The construction work started in late March, and in May of that same year the first cigarette machine was put into operation, so by July 1972 the German market could be supplied with domestically manufactured Marlboro. Helmut Schildwächter, director of the Philip Morris

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factory in Berlin: "The demands of the market could only be met by overtime work at night."

### 1973

The lawmakers in West Germany followed the American model and forbade any television advertising for cigarettes. In February the factory in Berlin was officially opened, and in June of the same year Philip Morris Germany GmbH founded the German skat competition, announcing the 9 3/4-pound trophy in the fall of 1972. Approximately 100,000 skat enthusiasts competed in 50 preliminary games between Kiel and Freiburg, Berlin and Nuremberg prior to the grand finale in the Rheingold-Halle in Mainz. The winner was Bruno Spell, an Italian layer of floor-covering who was living in the Saar, who triumphed over 1,199 competitors in the final round and was awarded the heavy trophy and a check of more than 10,000 DM.

That year for the first time more than 300 million Marlboro were sold in the month of September. By the end of the year, Marlboro sales climbed to 3.26 billion cigarettes, bringing it to tenth place in the bestseller list. The number of permanent employees had now increased to 608.

### 1974

In terms of international politics, the year 1974 went down in history as the year of big political scandals. Richard Nixon stumbled over the Watergate scandal, Federal Chancellor Willy Brandt resigned because of the Guillaume affair, and

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Helmut Schmidt, formerly the Minister of Finance, became the new chancellor.

In January the price for a pack of Marlboro increased from 2 DM to 2.30 DM. Staffan Gunnarson was appointed vice president of Philip Morris International, and the production facilities in Berlin were expanded. In April of that year, the manufacture of exports to Italy was initiated in the enlarged factory in Berlin. In July, the name of Philip Morris Germany GmbH was shortened to Philip Morris GmbH.

From the German perspective, there was another historic decision that same year, as noted in the Philip Morris festschrift commemorating the first ten years. The headline was "The People in Munich:" "The two-day visit by Philip Morris managers from Lausanne, Frankfurt, and Berlin on May 2 and 3 of 1974 in the Reemtsma factory in Munich was kept secret. To avoid jeopardizing the purchase negotiations, the director of the factory, Karl Heinz Jungschlaeger, had stated that the activities and the planned viewing of the factory were in conjunction with an insurance venture.

The factory had been polished up to the utmost for the occasion. Helmut Pirkel, who at that time was head of the works committee at Reemtsma in Munich, stated that "300 jobs were endangered, and there was much unrest among the employees."

Three months later, the purchase contract was signed. On August 24, 1974, Philip Morris declared its willingness to keep all the employees. After test runs, the Munich factory started producing Marlboro for Italy on October 1, 1974 on a jobber

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basis. On January 2, 1975, the Munich factory was taken over by Philip Morris GmbH. Immediately afterwards, the tobacco processing facilities were remodeled and offices were set up for the management. Philip Morris GmbH became a Munich corporation on July 1, 1975.

By the end of 1974, Marlboro had achieved sales of 4.34 billion cigarettes and now ranked number nine among the bestsellers.

### 1975

The Vietnam War finally came to an end in 1975. Philip Morris GmbH officially took over the Reemtsma cigarette factory in Munich, retaining all the employees. In May of that year, a lion in Munich's Hellabrunn Zoo was named Philip Morris.

A month later, Philip Morris GmbH moved its headquarters from Frankfurt to Munich. By the end of the year, Philip Morris was for the first time the largest cigarette exporter in West Germany. With sales of 5.47 billion cigarettes, Marlboro advanced to seventh place among the bestsellers in Germany.

### 1976

In 1976 James Earl Carter was elected thirty-ninth president of the United States, the price for a pack of Marlboro increased to 2.85 DM, the number of permanent employees at Philip Morris reached 1,131. With sales of 7.26 billion cigarettes, Marlboro leaped ahead to fifth place.

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1977

President Sadat made his historic trip to Jerusalem in 1977. In West Germany the terrorist activity of the Red Army Faction reached a highpoint with the murder of Jürgen Ponto, chairman of the board of the Dresdner Bank, and Hans Martin Schleyer, president of the Federal Union of German Employers. Marlboro asserted its ranking as number five, ending the year with sales of 7.85 billion cigarettes.

1978

In 1978 President Carter, Prime Minister Begin, and President Sadat agreed on the basic principles for peace negotiations in the Middle East. The dollar fell to a new low of two marks. In Berlin Philip Morris acquired two more adjoining pieces of property, thereby increasing its total space by approximately 28,000 square meters.

In August 1978 Philip Morris GmbH launched Marlboro Menthol on the German market. Within one month, it had achieved a new record: Philip Morris GmbH for the first time sold more than one billion Marlboro cigarettes in one month. In October of that same year, Philip Morris GmbH for the first time held the Marlboro Country and Western Festival in eleven German cities.

In cooperation with CA Ferntouristik GmbH, Philip Morris for the first time presented its Marlboro Adventure Travels program. By the end of the year, the Marlboro cowboy was dangerously close on the heels of the HB-Männchen.

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With sales of 10.37 billion Marlboro, a market share of 8.5 per cent, and a ranking of third place, it had clearly closed the lead against the market leader HB.

#### 1979

The year 1979 brought the Ayatollah and the revolution to Iran. In April 1979, in the presence of the American commandant of the city and the mayor, the cornerstone was layed for the first expansion of the Philip Morris factory in Berlin. In July of that same year, Marlboro narrowed the gap still further against the top seller HB by achieving for the first time the ranking of number two among cigarette brands sold in Germany. By the end of the year, Marlboro became the biggest seller in German duty-free shops and stabilized its position on the market with sales of 13.58 billion cigarettes. This represented a market share of 11 percent, further consolidating its ranking as number two among the bestsellers.

#### 1980

In 1980 the Soviets invaded Afghanistan. The United States and its allies, including West Germany, then boycotted the Olympic Games in Moscow. Marlboro Lights were launched in Germany, and the number of Philip Morris employees in Germany for the first time exceeded 2,000.

With 13 percent of the market share and sales of 16.5 billion Marlboro cigarettes, the flip-top box had consolidated its ranking as number two, finally pushing Lord Extra to third

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place.

#### 1981 - 1985

In 1981 Marlboro again pushed ahead, achieving a new record with sales of 18.2 billion cigarettes in West Germany. In 1982 there was a 14 percent drop in cigarette sales in comparison with the previous year. Marlboro also registered the slip, and its sales dropped back to 15.4 billion.

Under the shock of this change in smoking habits, an embittered price battle broke out in 1983 on the cigarette market. The managers of Philip Morris GmbH stuck to their higher-priced strategy and also had to suffer an additional 15.6 percent drop in sales in 1983.

Their tenacity paid off. In 1984 Marlboro increased its sales by 24.6 percent and sold 16.2 billion cigarettes. The market leader at that time, HB, had taken a comparable setback, but in 1984 it was not able to hold its own. By the end of the first half of 1984, the neck-in-neck race between the HB-Männchen and the Marlboro cowboy was over. Since January 1, 1985 Marlboro has been the cigarette brand with the largest sales volume in the world. It is also the cigarette that is sold more than any other in West Germany.

#### Marlboro Adventure Team

Very careful deliberations are involved in planning promotion for the Marlboro brand. The basic characteristics of the Marlboro country campaign--such as freedom, adventure,

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individualism--greatly limit the possibilities. The founding of the Marlboro Adventure Team succeeded in creating a symbiosis.

Some 70,000 male Germans responded to the first appeal in 1984 to demonstrate team spirit and an ability for high achievement. One year later, the number of entrants responding to ads and direct-mail programs reached 102,416. In the year 1986, the highpoint was reached with 115,102 entrants.

Press releases such as the following were used to promote the fever for adventure: "Start 80 Meters under the Sea. From the Hot Desert to an Altitude of 3,000 Meters."

"The Shoshone Indians who lived there for hundreds of years before the first whites stumbled into this desert called it Tomesha, which means source of fire. Rightly so. The broad valley, 85 miles long and 10 miles wide, located in the Mojave Desert is the hottest place on earth. The deepest part is 286 feet below sea level. Temperature readings taken just below the ground have reached approximately 350 degrees Fahrenheit. Salt flats and large, undulating dunes that are shaped by the constant desert winds fascinate the eye. A solemn beauty.

"The starting point for the Marlboro Adventure '86 was the Tomesha Valley. Five teams from three countries--West Germany, Switzerland, and Italy--start a four-stage adventure in California that fulfills the dream of freedom. Heavy, four-wheel-drive pickups carry the five teams from the California heat into equally hot desert of Nevada. Anyone who cannot read maps accurately will unfailingly get lost, as road signs are rare in the American Southwest...

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"After a glance at the Black Mountains or the Panamint Mountains, the drivers know what awaits them within a few days: off road from the most difficult. For the drivers this means bone work with 150 PS under the hood, millimeter work for the broad pneumatics. The last test is called Elephant Hill, a mountain that elicits a curse from most people at the very sight of it. There is no longer a recognizeable road, just massive rock formations and wild vegetation that block the view. And at the point where four wheels no longer have a chance, BMW cross-country vehicles await them for the second stage.

"The trails are dangerous. Anyone who is unable to control his machine will be very late in reaching camp in the evening. The wisdom handed down from the pioneer era is that this terrain is a test for team spirit. The drivers are rewarded with an incredibly beautiful, deserted landscape far from any civilization.

"At Green River everyone washes off the dust, grateful for this muddy brown stream that is still being fed from the melting snow of the surrounding high mountains.

"A pause for a deep breath, but only for a moment. After paddling just a few hundred feet in the rubber rafts, the light vessels, brutally tossed into the air by waves, land in the rapids. The dance lasts hours, and the perils of the wild waters of the ancient stream cause the adventurers to despair. They are rewarded for their efforts, though, by the evenings in the camp. Starry skies over a backdrop suitable for a film. A few thirsty mosquitoes.

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"Suddenly the horses are standing there, patiently waiting for riders. While they are being saddled, the adventurers talk to them softly, trying to establish trust. The goal is only 70 miles away, but the last two days spent on horseback are abrasive in the truest sense of the word.

"Butch Jensen is waiting at the ranch, where the altitude is more than 10,000 feet. He smiles as they tell him about the exertions of the last few days. And sometimes he is glad when they are at a loss for words to describe the beauty of his homeland..."

From the flood of applicants, a jury selects a five-member team for the Marlboro Adventure Cup. Before the starting shot of the 1986 adventure, they had to prove their qualifications--a practical sense for gauging distance, mastery of the equipment, orientation without a compass, courage, determination, and quick responses, and particularly the capability of achieving team spirit.

Klaus Seppi and Maurizio Arrivabene had to successfully pass the following tests before being able to take the 1986 cup to Italy:

Pickup stage

- \*Optimal routing (minimum of kilometers)
- \*Compass orientation
- \*Optimal distance timing under off-road conditions without use of a chronometer (special test)
- \*Control of vehicle
- \*Mastery of terrain

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\*Road contact of the vehicle (special test on Elephant Hill)

\*Team behavior

#### Bike Stage

\*Vehicle control

\*Mastery of terrain

\*Bounces and falls

\*Team behavior

\*Economical driving (minimal use of gasoline)

#### White water stage

\*Mastery of white water

\*Technical handling of the boat

\*Team attitude

#### Riding Stage

After being on horseback for two days, which was considered a matter of conditioning and therefore not evaluated, the qualifications for the final event, the rodeo at Rock Creek Ranch, were:

\*Saddling the horses

\*Barrel-riding (ability to guide horses after having gone through obstacles)

\*Bull-wrestling (catching young steers)

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PHILIP MORRIS INTERNATIONAL

In 1960, five years after the national launching on the American market, sales in the U.S. comprised approximately 97 percent of the total business. At this time, George Weissman was the managing vice president of Philip Morris USA. During the summer of that year, he travelled to Europe with his wife. He bought a Peugeot, travelled through Italy and Switzerland, on through France to Paris, and then to London. The trip was to have consequences. Georg Weissman:

"I had about seven cartons of Marlboro with me on this trip. I used them as tips or gave them away, and the reaction to the cigarette absolutely astonished me. At this time, Switzerland was our only licensee in Europe, but Marlboro was being exported to Italy and was available there. I met various people in the tobacco industry, and in Paris I spent two or three days with Albert Bellot, who at that time was our only permanent representative in the continent of Europe. We talked about this truly astonishing reaction--that people came up to me in the cafes and asked if they could try out the cigarettes. They had all heard of Marlboro but had never smoked one.

"So I went back and met with Mr. Lyon, the chairman of the board, and Joseph F. Cullman, president of Philip Morris. I told them repeatedly that the doors in Europe are open to us and we are not exploiting this advantage. I told them how Marlboro was received in Europe and reported a few conversations I'd had. In October of that year, Mr. Cullman came and told me I was the new head of Philip Morris International."

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That's how simple it was in those pioneer days, and even in the year 1960 people are still talking about the decisions that proved to be important for the future. The whole department that George Weissman suddenly headed consisted of about a dozen people. One of the first employees hired by George Weissman was Hamish Maxwell, who is now chairman of the board.

"I chose Hamish because he was British and also spoke French. In building up my new department, my concern was to find employees whose experience had not been exclusively in the U.S., so I chose Fred Moessenger from our personnel department, because he had also worked in Indonesia and Southeast Asia in the personnel department.

"I took Hans Storr, who is now our financial manager, on <sup>u</sup> or team because he is a German. At that time Storr was working as a bookkeeper in a printing company in Milwaukee.

"Justus Heymann, who was Dutch, became acting head of Philip Morris International. And in Europe I had Albert Bellot, a Frenchman who also spoke Portuguese, Spanish, Arabic, German, and Italian."

Initially, of course, the entire know-how of this international team was used exclusively for the promotion of the flagship, Marlboro. For reasons already described by Albert Bellot, the first step was to make licensing agreements in Europe. At that time, the reserves of Philip Morris did not suffice to build our own factories.

"We, the licensees and Philip Morris, got along very well with one another. The problem as I see it was that they were

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more interested in their own market than with the sale of our Marlboro. To be truthful, they choked off our sales in order to manufacture enough of their own cigarettes while still being able to fulfill the conditions of the licensing agreements. In other words, they did precisely what was spelled out in the contracts but not more. That was a serious mistake on their part. But it was also a mistake on our part to formulate contracts in such a manner that they could be considered fulfilled if the annually established minimal licensing fee was paid.

In this manner it sufficed if a licensee sold just enough to be able to make these fixed payments. Ultimately that was the decisive reason why they later lost their licenses.

"One of the first consequences was that we built our own factory in Germany. And it clearly showed that the demand for Marlboro was much larger than the quantities that had been manufactured by our licensees let us suspect."

There were also difficulties involved with the advertising. The first measures in Europe occurred at the time when the advertising campaign with the tattooed men was running in America, and none of the Europeans, with the exception of the Finns, could do much with that.

"We were obliged to hear from almost all countries that a tattoo was more likely to be seen as a mark of a criminal than an adventurer. We had to yield to this argument, particularly because we got complaints from universities and the army that people were getting themselves tattooed, so we dropped this

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campaign. But it was not simpler with the Marlboro country campaign. The Swiss, for example, opposed using the cowboy. They were of the opinion that his image was cheap, so nothing could be done in Switzerland. The result was actually a very good campaign that is altogether still effective today.

"Jerry Hallauer of Triplex, the Swiss advertising agency based in Zurich, had developed a jet-set series showing sports cars and a luxurious ambience that was altogether an upscale campaign. In that respect, we always demanded a little more for Marlboro than the consumer had to pay for other American cigarettes. If Kent and Winston could be bought for 1.40 francs, ours cost 1.50 francs."

Philip Morris didn't have a much easier time with its Marlboro country campaign in Germany. Here, too, there was massive resistance and independent, national advertising strategies. Georg Weissman: "The only problem in Germany was that Brinkmann had marketed Marlboro as a bourgeois cigarette, showing a family--the man with a paunch, his wife and two children--sitting in front of the fireplace in their beautiful new home. It wasn't very good."

To break out of this waste of time, Hamish Maxwell was assigned the task of developing an advertising program for Marlboro in all top international publications. Unified motifs were inserted in such magazines as Time, Newsweek, Life, Paris Match, Stern, and other leading magazines. This marked a first step for the international popularization of the now famous Marlboro country advertising.

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John Landry on this topic: "We had two problems in international marketing. For one thing, it was difficult to sell our advertising campaign to the separate company managements in all countries everywhere in the world. For another thing, in any country in the world it was very difficult to get at tobacco that resembles the American Marlboro mixture as <sup>u</sup>mch as possible. This attempt could not work in every country, because in some countries there are regulations stipulating that a certain percentage of local tobacco must be used in the manufacture of cigarettes. And in several of these countries the local tobacco was quite different from the ones that were cultivated in America, so there are some differences in the Marlboro product in the various countries. In most instances, though, there are merely slight differences that can only be detected by an expert.

The situation in the field of advertising was quite different. On my travels around the world I noticed that several countries were quickly able to be enthusiastic about the American Marlboro country campaign. I believe the European countries were quickest in coming to terms with it. The slowest, in my opinion, were the Latin American countries. And then there were several that simply couldn't do anything with it. They were of the opinion that in their country the American cowboy had no meaning at all. As they saw matters, the cowboy was not someone who could be looked up to. I had to spend a great deal of time to make the idea of the Marlboro country advertising palatable to these people and to convince them that

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the campaign would also be effective in their country.

Actually my argumentation was always the same. I tried to make it clear to the people that their countrymen had after all grown up with the same American cowboy and Indian movies as the Americans themselves. The people in these countries were familiar with Gary Cooper, John Wayne, or Tom Mix. They had grown up with precisely the same cowboy heroes and were familiar with the comprehensible topic of these films, and I believe this was one of the reasons for the subsequent success of the Marlboro country campaign.

The cowboy films we all grew up with were uncomplicated. Everyone knew that the good fellow wore a white hat, the evil one wore a black hat. The cowboy didn't let his life get tangled up by any great romance. He kissed the pretty bride goodbye at the end of the film and rode off into the sunset. I believe that it was precisely this matter-of-factness, this uncomplicatedness of our advertising campaign that was its beauty and that the people liked, so it was no surprise that gradually an increasing number of countries used this campaign.

The success did not come overnight. But after it had been running for several months, the people were attracted by it. And as much as this campaign caught the spirit of the time and appealed to people's secret longings, it also coincided with a trend that was moving away from the strong and darker local tobacco mixtures in favor of the blonde, American tobacco mixture. This general trend very much helped the international sale of Marlboro."

By the mid-60s the business in Europe had more or less

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consolidated. In addition to the ad campaign, there were also several TV spots, but in Europe the advertising time slots were always very brief and very difficult to book. One last and very decisive idea from Europe was Albert Bellot's suggestion to participate in Formula-1 sport. This started first with poster campaigns and later developed into the sponsorship for Marlboro's own team (about which there will be more in the Marlboro chapter and Formula-1).

Georg Weissman: "After that we started distributing Marlboro internationally. Of course, sales to the American military were way up. On this basis, we had already achieved a certain degree of familiarity in various countries, so the next step was to test Marlboro with the civilian population and then enter the free market. The demand steadily increased all over the world.

One of the best things that happened to us was the introduction of the jet airplane, causing an increasing number of Americans to fly to Europe and an increasing number of Europeans to fly to America. In the process, Marlboro became more known, more international, and was more in demand. And that is how it's remained up to the present."

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The Last of the Wild Mustangs

One of the most successful mixtures of Marlboro advertising and promotion was the short film, "The Last of the Wild Mustangs," with Orson Welles serving as the commentator. This short, viewed by millions of Americans, was shown all over the world in thousands of movie houses prior to the showing of the feature film. Once again the initiator for this short film was John Landry, the Marlboro man.

"Producing this film meant a lot to me. I wrote the script with Norman Muse from Leo Burnett, the creative director for Marlboro, and he deserves the lion's share of the fame. We wrote the film because of the wild mustang, an endangered species as a result of having been absolutely slaughtered off by ranchers and farmers. And these people, who simply killed these noble horses, even felt themselves in the right, because the mustangs ruined their harvest.

"Other business people hunted these animals for purely commercial reasons, killing them from helicopters and selling them for use in manufacturing dog food.

"The fate of the wild mustang touched us deeply and was the reason we produced this film. It helped, as the lawmakers were then influenced, or so I believe, to pass laws for the protection of these animals. And I am certain that there are still some ranchers or farmers running around who would best like to know us buried, because the animals are now increasing in number and are probably causing them some problems."

The eight-minute film, with arresting pictures of the elegance of these horses, presents the Marlboro message and its spectacular success in unique clarity. Orson Welles himself

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spoke the closing words for the final scene: "They run,

just out of reach, on a distant ridge..... ...They are not of this time nor of this place. They are of that time when the land seemed to stretch out forever and the West moved West in an ecstasy of discovery.

And they're of that place that Will James called a country of juniper, sage, deep arroyos, mesas and freedom."

#### Marlboro Country is Everywhere

Supplying the American troops with products from the house of Philip Morris was a tradition. The marketing experts understood how to use the far-flung involvement of the military superpower, the U.S., for the distribution of their products. During the Vietnam War, the shortage of supplies was the occasion for promoting its own products, placing them in the hands of the troops with the support of the administration.

The in-house newspaper, Call News, first attacked the problem in 1965: "The war areas are also Marlboro country."

"Da Nang, South Vietnam: A navy pilot stationed here recently took the trouble of writing us the following: Although one of the worst burdens for a soldier who is in a war is to be shot at, that's not the only problem he has to contend with. Not only does he have to risk his life every day. In addition, he often has to do without some of the ordinary comforts of life that we at home take for granted--like a satisfying puff from a flavorful Marlboro cigarette.

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Here's an excerpt from a letter from First Lieutenant Ronald I. Stout, reporting about the regrettable shortage of Marlboro cigarettes: "I am a navy pilot, serving at present at the Da Nang air support base in the Republic of Vietnam. I have one complaint that you probably can hardly eliminate, but I think you should know about it nonetheless. I can at least air my feeling to you, since it deals with your excellent product.

"I smoke Marlboro cigarettes...and have never been unfaithful to you for longer than two packages. I just wanted occasionally to try out another taste. That means I never really turned away. Now there is a terrible shortage of Marlboro cigarettes in Vietnam. This condition has already lasted several weeks, and as far as I can tell there is no relief in sight. In my division <sup>there</sup> ~~that~~ are many Marlboro smokers, and if anyone here dares to appear in public with a Marlboro in his hand (if anyone really is that lucky), it is as if you were to open up your billfold while strolling through Hongkong."

But relief was not long in coming. The director of domestic military sales, Jack Prokop, says, "That same day when Lieutenant Stout's letter landed on my desk, I issued instructions that several cartons be sent to him right away. Sometimes cigarettes are simply not put on the priority list of the items being sent to Vietnam, but we did everything possible to make certain that the boys who were fighting there for us had an adequate supply of Marlboro."

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A year later the problem was solved.

Philip Morris Call News of November 21, 1966:

"No Tax on Cigarettes for Vietnam"

New York: The first orders for duty-free cartons of cigarettes are now on their way to units in Vietnam. A new Philip Morris plan, allowing the lower, duty-free price, was recently announced. The news was first sent to relatives and civilian organizations and was later made public. The local sales departments have set up information stands and are providing order blanks that can be used for ordering cigarettes. The minimum order quantity is ten cartons.

The director of domestic military sales, Jack Prokop, who worked in close cooperation with government officials and the military in obtaining approval for the Philip Morris plan, said: "I believe that our offer is welcomed by many different groups. When people send packages to the troops, cigarettes are very often at the top of the list. Now they can buy them at the lowest possible price." Mr. Prokop also pointed out that, judging from the letters he had received from our soldiers in Vietnam, it was clear that Marlboro was one of the most popular cigarettes.

Without any restriction, duty-free cigarettes could be sent via one of the seven USO clubs as a gift that would be delivered to the recipient after his arrival in Vietnam. Prior to shipment overseas, Philip Morris put a sticker on each package showing the name and address of the sender.

A gift package with ten cartons of each popular Philip Morris brand can also be sent to individual servicemen in Vietnam. The Philip Morris brands for which the above offer

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applies are Philip Morris Commander, Philip Morris Filter, Marlboro, Marlboro Green, and Parliament.

The total price for ten cartons, including delivery in Vietnam, came to \$10.61.

#### DUTY-FREE BUSINESS

In the area of duty-free cigarette sales, Philip Morris once again performed pioneer work. The managers from Park Avenue in New York very early recognized what a diverse, beneficial effect could be achieved by sales to travelers all over the world. As already asserted in detail elsewhere in this book, in a metaphorical sense the cigarette smoker is also a promoter of his favorite brand. Twenty times a day the average smoker shows the flag by taking the package from his pocket. The consistent exploitation of this realization in the course of time made Marlboro the bestselling cigarette at all national and international airports.

One of the pioneers in the duty-free business is Tony Hans, who joined Philip Morris in 1946 after the Second World War.

"The first Marlboros were marketed in a white package and had an ivory-colored mouthpiece--the beauty mouthpiece, as it was called in the field of advertising. Even at that time Philip Morris placed special value in pointing out in the advertising that our Marlboro was a quality product, therefore cost a few cents more than any other cigarette.

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"During the Second World War there was a shortage of cigarettes. Philip Morris sold quite well. I myself was a soldier in the war, but that's what people told me. When the war was over, sales declined, because suddenly there were enough cigarettes on the market--several Philip Morris brands and of course our competitors such as Chesterfield, Lucky Strike, and Camel.

"I joined the company in 1946, starting out as a retail salesman in Brooklyn. One of my first jobs was to visit the various stores and gather up our packages of Marlboro that had been delivered, because they had been packed in plain paper instead of foil, which was scarce during the war. So we exchanged this unattractively packaged Marlboro against other Philip Morris products that were packaged better."

A year later Tony Hans switched over to the sea-store department, where he worked with four other employees in building up the duty-free business in the U.S. He and his coworker Ramon Barrial serviced the East coast. Lars Rosenback was based in Philadelphia, and Charles Dodson in Baltimore. These four serviced all the freight and passenger ships in American ports.

Dick Monroe, who was stationed in Norfolk, Virginia, serviced the floating units of the American navy. In 1954, when the new Marlboro was introduced in the flip-top box, the five took over the task of selling the new cigarette on board ships, which at that time played a significantly greater role in international trade and travel than today. In the mid-50s, international airplane traffic was not as extensive as today.

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"In the development phase, the most important and interesting task was to get Marlboro on the large trans-Atlantic passenger liners. The trick consisted in persuading the head buyer or the head barman to place the Marlboro brand on the so-called wine list.

"Tony Hans called on the agencies of large shipping companies all over the world, and with much persuasiveness and negotiating skill he succeeded in making big deals. He won over the American shipping company, U.S. Lines, whose fleet includes approximately 50 freighters that handled shipments all over the world and its two flagships, the passenger liners 'SS America' and 'SS United States.'

"There were difficulties, however, in getting the significantly smaller freighters, some of whose crews had never heard of Marlboro. To make the sale of Marlboro attractive to them, Tony Hans and his co-workers persuaded Ray Jones, who at that time was vice president of sales, to introduce a new size of package specifically for the duty-free business. In place of boxes holding 5,000 and 10,000 cigarettes, boxes for holding only 10 cartons were prepared because it was easier to sell them than the larger-size boxes.

"With this aid I finally got business from the U.S. Lines," Tony Hans recalls. "I called on their head buyer and suggested equipping every one of his freighters arriving in the harbor with a box of 10 cartons and selling a 10,000-piece unit to every passenger ship. He agreed, so when the ships returned to New York, the orders increased, and before we knew it the

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passenger liners were buying more than 50 cartons at a time. It was a very strenuous, very time-consuming business that paid off for the company in the longrun."

Hans had to persevere with the British Cunard Line for more than a year before he was able to make the first sale. Still more difficult, as it turned out, was the sale to the freighters, where the task was to win over the crew to these new cigarettes.

"We went on board foreign freighters that put into port, distributing sample packages to the chief steward and the rest of the crew. The sample packages contained four cigarettes. Again and again we had to hear the captain confidently assert that his crew would never get to like this cigarette, so we had no choice but to be persistent.

"When the ship returned, we again went on board to distribute sample packages and kept doing so until the first orders arrived. In those days Chesterfield was the number one cigarette in shipboard sales. It made me sick every time I went to New York and saw how, for example, Spanish ships ordered 500 - 600 boxes of Chesterfield while I literally had to beg to get them to take a few boxes of Philip Morris from me."

At the same time, Hans negotiated with the Military Sea Transport Service whose fleet of vessels served as troop ships for the government. "Many of these ships brought the war-brides of our GIs to the U.S. after the Second World War. Thanks to my personal contacts, I knew the head buyer very well, and we succeeded in getting Marlboro on all these ships."

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After extensive rounds of negotiations, Marlboro finally was placed on the order list for the U.S. Navy. "At that time--I believe it was 1954--the World Tobacco Company opened the first duty-free shop at Kennedy Airport. Up to that time, there was no store that sold duty-free cigarettes at the airport, so we had to call on all the airline offices and introduce our new brand ourselves. If orders were written, they had to be delivered by a ship's chandler that also supplied passenger liners and freighters in the harbor. This process became somewhat easier after the duty-free shop was opened at Kennedy Airport.

"But nobody should get a wrong idea of the magnitude of this business. We sold very small quantities, and mainly what we lacked were advertising giveaways of the kind used today. Apart from our sample packages, we had nothing on hand. These sample packages and our perseverance were all we could use to tip the scales, and it worked."

The export division of Philip Morris, which at that time was called Philip Morris Overseas Company, was small and had a small budget. As well as Tony Hans can recall, small quantities of exports were sent to Holland and several other European countries, but you couldn't really say it was any volume. The groundwork in the American ports and at the airports slowly bore fruits, though. Sailors and passengers unconsciously introduced Marlboro everywhere in the world.

Tony Hans: "And when the customers really started to like Marlboro, they also started to buy it. From one day to the

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next, the Italians, for instance, went crazy about the brand. I sold very large quantities of Marlboro to ships flying the Italian flag. The sales of Marlboro in the flip-top box were not so breathtaking, but sales absolutely exploded with the introduction of the soft-pack. We couldn't make any sense of it until someone told me the Italian sailors smuggled these Marlboros into their country. Naturally it was easier to stash away the soft-packs in socks and waistbands than the stiff flip-top packages."

Just how quickly sales increased is shown by the following two orders from Tony Hans's private archive. On June 7, 1966 an order for the Italian passenger liner, "Leonardo da Vinci," while it was berthed in New York included 20,000 Philip Morris Regular, 30,000 Parliament, 12,000 Benson & Hedges 100s, 250,000 Marlboro, 10,000 Raleigh Filter, 50,000 Pall Mall, 30,000 Lark, 100,000 L & M, 10,000 Cool Filter, 100,000 Kent, 10,000 Chesterfield King-Size, 10,000 Pall Mall Filter, 10,000 Salem, 20,000 Viceroy, 20,000 Tarryton, 100,000 Winston, and 100,000 Chesterfield Regular."

On December 14, 1966, the same ship ordered 20,000 Benson & Hedges 100s, 100,000 Camel, 100,000 Chesterfield, 20,000 Chesterfield Filter, 150,000 Chesterfield King Size, 20,000 Chesterfield Kings Filter, 50,000 L & M, 40,000 Lark, 100,000 Lucky Strike, 20,000 Newport, 50,000 Pall Mall, 50,000 Parliament, 10,000 Raleigh, 20,000 Salem, 20,000 Tarryton, 30,000 Viceroy, 50,000 Winston, 100,000 Pall Mall Filter, 20,000 Philip Morris Filter, 50,000 Philip Morris Regular, and 500,000

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Marlboro.

In 1967 Philip Morris started its promotion in duty-free sales with the slogan, "Buy one carton and get one for free," a very successful sales strategy that is still used today for limited periods of time.

"In 1968 we started to supply the only duty-free shop at John F. Kennedy Airport with free shopping bags that the passengers could use for carrying their cigarettes and liquor. This idea proved to be very successful and was later imitated by almost all duty-free shops at American airports. At some point we could even make a charge for this convenient shopping bag that spread our advertising all over the world.

"When the demand steadily increased, our department decided to provide all duty-free shops with these bags. Although that was very expensive, in my opinion it helped to make Marlboro more famous internationally, hence helped sales. All over the world, passengers leaving a plane that had started in the U.S. carried this advertising medium showing Marlboro. If I'm not mistaken, we used this advertising medium exclusively for three or four years before Reynolds likewise started distributing bags carrying their advertising to the shops."

In April 1968, Tony Hans became manager for the entire East coast. He was mainly discontent with sales to the freighters which, as had been predicted for a long time, would become increasingly important in comparison with the passenger ships.

"One of my first moves was to buy some inexpensive watches--unlike other companies, at that time we didn't have any

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advertising aids--for \$7.00 each, I believe, to use as giveaways to customers who purchased ten boxes of Marlboro. But a short time later, after several of these cheap watches had been returned because they didn't work, I decided to drop this plan. It was simply foolish to drive around in the car with all the stuff. That's what our competitors did--they carried a whole trunk full of cigarette lighters, ballpoint pens, playing cards, and other freebies through their territory.

"At that time the idea of a 'coupon for more expensive gift items' came into being, and in 1971 the plan turned out to be one of the most successful sales tools in the duty-free business."

The idea, like many successful ideas, was simple. Every captain received a notebook embossed with his name for entering his sales of duty-free Philip Morris products. If the purchasing was done by the chief steward on board ship, he was the recipient of the coupon. Simultaneously there was an order form in several languages and a small catalogue showing the premium gifts that were offered by Philip Morris International when the orders had reached a certain level.

Tony Hans, in his capacity as manager for all duty-free shops at airports and on board ships, introduced his promotion as follows:

"Dear Sirs: You have just received a coupon for elegant gift items from Philip Morris International. Your Philip Morris Gift Club Coupon means money in the bank for you. Your account grows with each purchase of our duty-free cigarette offerings.

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You can save for a while and then redeem your coupon for one of the presents that our representative showed you in his catalogue as soon as you have reached the necessary purchase amount for the gift.

"Let me give you an example: With each purchase of our duty-free brands of cigarettes in a U.S. port, our representative enters the amount in your notebook. If it is not possible for our representative to call on you on your ship, please keep a copy of the bill that the salesman makes out for you and show it to our representative during your next visit in the harbor or in another U.S. harbor. Your credit for the purchase will then be entered into your notebook.

"Maybe you would like to save to give a present to someone close to you. We assure you that our gift items are of a quality that you can take home with pride.

"Once you have achieved the necessary amount for the gift of your choice, give the coupon to our representative, and he will give you a receipt in the amount of the gift selected. Please don't expect to receive the gift item immediately after turning in the notebook. The item has to be ordered from the manufacturer by our New York office, so it takes at least six weeks until our representative receives it. He will give you the gift upon your return from abroad. This delivery by our representative is also possible in any U.S. port:

"If you don't redeem your Philip Morris gift club coupon before you go on leave or switch to another ship, please make certain you take your book with you. And please bring along

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your Philip Morris book when you return from your vacation. Your collected purchases can be used on any other ship than the one your coupon is made out to.

"We cannot be obligated to transfer entries into a new book for amounts collected earlier in lost or misplaced books, so we request that you treat your Philip Morris gift club coupon as a valuable, personal possession, which is what it is.

"The plan outlined is in effect for an indefinite period of time. But the deadline is not unlimited for redeeming the coupon book for a gift in return for cigarette purchases listed in your booklet. We very much appreciate your purchases of duty-free cigarette brands of our manufacture and very much hope that our coupon program meets with your approval. We thank you for your participation.

"With best wishes. PHILIP MORRIS INTERNATIONAL. Signed, Anthony Hans, Manager of Sea and Air Stores."

At first the captains and chief stewards were skeptical. The competitors always paid their premiums immediately. After a while, though, the Philip Morris campaign proved successful. The buyers quickly found out that they were not getting relatively useless advertising giveaways that were being fobbed off on them, because if they let their orders run up for an extended period of time, they were in line for very useful and valuable utilitarian objects as premiums.

These days offerings range from stereos and video recorders to microwave ovens and TV sets, but at that time our campaign

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was slow in getting started. As Tony Hans describes the causes for the somewhat slow triumph of his idea, "It was because the competition started to offer cash as premiums. They paid the captain \$2.00-\$3.00 per box, which is a story I never would have believed. I was against any use of cash.

"From the competition, I knew that several captains never got the money they were promised. On the other hand, I was always of the opinion that money has no sentimental value. Nonetheless there were captains who were so out for the money--at times the premiums offered as much as \$5.00 per box--that they simply boycotted us. We had to get an idea to combat that, so we developed a promotion for the crew.

"We started by first offering freebies for empty Marlboro packages. Later we gave premiums for empty cartons. We printed posters in various languages to explaining our crew-promotion program, and ultimately that really helped us toward a breakthrough. The crews started putting pressure on their captains and asking for Marlboro. They didn't want any Winstons, they wanted our brand. My ship salesmen often told me that the captains came up to them and said, 'You damned crooks, I have no choice but to buy your products, because otherwise my own crew would throw me overboard if I told them while we were at sea that we didn't have any Marlboro on board'."

Both promotion plans are still running today. Although nobody imitated our plan involving a "coupon for expensive gift items," "all our competitors simply copied our crew-promotion plan."

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THE SECRET OF SUCCESS

Business and industry all over the world chase after the goal of success. Although it is possible to measure success, it is difficult to explain success and failure. Massive use of capital is no guarantee for success. A good product is one of the main ingredients of success, but just by itself a good product cannot be successful without vast advertising expenditures. And last but not least, success is relative.

But what comprises the success of Marlboro? What made this new cigarette brand into the bestselling cigarette of all times? There have been many attempts at an explanation. But it seems to me that one of the most important reasons is the fact, unique in the history of advertising, that for more than 30 years one consistent and unchanged advertising campaign has been courting the favor of the consumer for an international brand. The success of Marlboro is a mixture of a perfect product, perfect advertising, and a philosophy not directly based on smoking.

Nowhere in all the advertising for Marlboro is there a single word on the subject of smoking. The consumer is neither beguiled into thinking life becomes better through the pleasure of cigarettes nor that holding a burning cigarette is a symbol for an elegant lifestyle. These days Marlboro is a synonym for an increasingly greater longing--the longing for freedom, independence, and closeness to nature. This is a longing that also appeals to non-smokers. Only secondarily is Marlboro the name of a tobacco product.

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"It is difficult to precisely explain success. Maybe a brief anecdote is helpful in illustrating how success can be measured: A friend <sup>of</sup> mine was visiting the Soviet Union with his wife to try to learn something about the country. Although he doesn't smoke, I recommended he pack a few packages of Marlboro to use as tips. He asked for Marlboro at the airport, but they had just been sold out, so he bought some other brand. At the Hotel Astoria in Leningrad my friend, wanting to make a friendly gesture to the porter, handed him two packs of cigarettes. The porter's response was, 'Don't you have any Marlboro?'

"Marlboro has become a legend all over the world. When I was travelling through Posen in 1981, someone showed me an article in the Krakauer, the <sup>C</sup>ommunist newspaper, that was headlined, 'Why isn't Marlboro available?' The report was critical of the fact that the Marlboro cigarettes manufactured in Poland were not available for the public, because they were smoked by all the bureaucrats.

"I have to repeat: Wherever you go, Marlboro is a legend. And it is very interesting that although it is known as an American cigarette, there is an international touch about it. It now seems to be more or less unimportant whether it is manufactured in America, Germany, or Switzerland.

"There was a time, though, when that situation was very different. Everybody looked to see whether it really had been manufactured in America. Now it is accepted all over the world regardless of where it was manufactured. In my opinion, those

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are the main reasons for its success. The consistent quality, the image, and the increase in sales over the course of the years. When it comes to taste and image, people know what can be expected.

"And there is something else that is very interesting. Cigarettes say more about a person than any other utilitarian objects, since cigarettes are always within view. People put a package of cigarettes on the table in a coffeehouse, on the night table in a hotel room, and puff on them during a flight. In short, people live in closer contact with their cigarettes than with any other object that can express their personality. Or to put it differently, the statement that Marlboro makes about its users seems to be preferred by people to the statement made by any other brand."

John Landry: "I believe it is an excellent product. The packaging is excellent, the advertising is splendid, and it is a product that really lives up to what we promise, regardless of whether the promise is in words or in pictures. The product and the packaging fit the advertising, and the advertising precisely fits the product. Sure, it's possible to market a product with greater precision in the advertising than we use for Marlboro. You can say everything about a product and make promises, but if the product doesn't live up to what's promised, the buyers switch. In any case, I believe that our product lives up to what we say and suggest, because it is a good, flavorful cigarette, and we don't make any other claims."

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Marlboro Country

Continuity, credibility, universality, and a strong appeal made the Marlboro country advertising into one of the most successful advertising campaigns in the history of marketing. No single product anywhere in the world has adhered so consistently, successfully, and undeviatingly to a single advertising idea as Philip Morris did to Marlboro, its bestselling cigarette.

Elisabeth Butson, vice president of marketing, analyses the success and fascination of the Marlboro advertising as follows: "The Marlboro advertising campaign is one of the best ever, one of the few campaigns that were successful all over the world. And there is one simple reason for this success: Our Marlboro advertising is wonderful. It appeals to consumers all over the world, because it brings a message of great importance to people, regardless of whether they are Arabs, Germans, or Brazilians.

"The Marlboro advertising describes a world we all dream about. It's a world that is beautiful and exciting. Is there anyone who doesn't delight in a beautiful sunset? Anyone who can resist the fascination about a horse freely galloping in nature? Is there anyone who hasn't dreamed of self-mastery in life? And all of that applies particularly to people living in cities, where they have to travel on crowded subways or sit in their cars for hours to commute to their jobs?

"The messages of the Marlboro advertising have a universal appeal to people all over the world. The content of these

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messages is the clean, pure form of individualism. The attractiveness is in the man who says I am free, I am master of my own fate, but I am also skillful, I ride a horse, I can lasso a steer, I know how to pick out a good horse from the herd, and I enjoy a sunset.

"All these simple messages reach a great many people, not just smokers. And yet, from an international standpoint, there is one difference. In the United States consumers recognize a part of their own history in this Marlboro campaign. They recognize our own legacy, the great fascination exerted by the West and its pioneers from the old days. In the U.S. Marlboro stands for America.

"In other countries this advertising, although it represents our country, represents something greater than just that. The Marlboro ads optically convert what people dream about when they think of the new world, the free world.

"But that's not all. Through the years, the Marlboro advertising has remained constant in its quality. Regardless of where the advertising is used, it is excellent and innovative, which at the least is just as important. This campaign is one of the oldest and at the same time one of the freshest in the history of advertising.

"In addition, the Marlboro advertising is very honest. We never attempted to adapt our advertising to the transitory trend of the time. The Marlboro country campaign is spectacular, and it is authentic, it is believable. Of course the success of Marlboro cannot be explained just by the advertising. A very,

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very good product is part of the success. And part of this excellent product is its excellent packaging and, last but not least, the fact that Philip Morris is a very progressive company. In the 60s and 70s, when Philip Morris was building up its international business, this company was led by young managers who were hungry for success. They were committed young people who were prepared to work hard, and they were sustained by a shared inspiration.

"It is a company that was not complacent, it was not spoiled by success, not self-satisfied. The management of Philip Morris accomplished excellent work in the development of our industry, in exploring future markets. And everyone in the company was sustained by an honest pride, and everyone believed that what they were selling was the best cigarette of its kind in the whole world."

#### A Philosophy for Successful Advertising

This was the title of a speech given by John Landry on May 15, 1979 to the financial committee of Philip Morris, Incorporated in Mishicot, Wisconsin. The following excerpts from this address help define the classical principles of the perfect interplay of advertising, promotion, and brand image:

"Here at Philip Morris we are convinced of the power and effectiveness of image advertising--advertising that creates a personality for the product but at the same time refers directly to a particular characteristic of the product.

"We likewise believe very much in the usefulness of a

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consistent chain of thought--the unchanging, deliberate presentation of this image in all media.

"To explain this in greater detail, I'd like to add that if you are a smoker, your cigarette is something very personal. And if you are a smoker, there is hardly another product that you buy so regularly and often as your pack of cigarettes.

"The average smoker consumes a pack a cigarettes a day, which means in turn that the package is picked up twenty times a day.

"We believe that someone who takes this package out of his pocket twenty times a day would like to identify positively with the image conveyed by it.

"The advertising we use for most of our brands is probably perceived to be quite unobtrusive. Probably it will rarely cause anyone to run out of the house to the nearest store to buy a pack of cigarettes. But our presence is just as available as our unchanging message, and if we have succeeded in conveying a personality that is basically appealing and unobtrusively motivating, you will probably try out our product some day.

"And when you do, if you have come to the conclusion, as we have, that you have found the best cigarette in the world, we have probably acquired a new consumer.

"This is the philosophy behind all our brands. The very first advertisement for Benson & Hedges, for example, appealed to the discriminating smoker, and after more than twelve years the advertising is still directed toward these smokers.

"In the course of the advertising campaign, its character

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was never varied--the very special dash of an extra-long cigarette. The only thing that was varied was the photographed motifs, and the number of Benson & Hedges packages that were sold has also changed.

"The same thing applies to our Virginia Slims. The main image, 'You've come a long way, baby,' changed with a modern, fashion-conscious girl. Then in 1968 it was provided with a blending-in of an earlier era and has not changed in the slightest. It was by no means easy to decide whether 'You've come a long way, baby,' means Virginia Slims or whether Virginia Slims means 'You've come a long way, baby.'

"Both Benson & Hedges and Virginia Slims are very successful brands. And even if it is obvious that one main factor in this success is certainly to be found in the manufacture of a product of unsurpassable quality, we are convinced that the advertising presentation has contributed to the success of these brands to an extent that should not be underrated.

"Probably a classic example of what advertising can achieve in assisting a product to success can be seen in our Marlboro brand, which is the most widely sold brand not only in the United States but in the whole world.

"I think you don't need any further proof to realize how much we are wedded to the idea of a continuous presentation than by simply looking at our very first Marlboro ad, which was shown in the fall of 1954, and comparing this with the Marlboro ad from last year. We are convinced that this is the basic

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foundation for the success of Marlboro--an advertising campaign that is inseparably connected to the product itself and that is conveyed with unchanging continuity over the years through a suitable person.

"There are more than a million retail sales possibilities in which cigarettes are sold in the United States, and sales promotion plays an important role in our marketing mixture. But it would be senseless to spend millions of dollars on the advertising budget for the purpose of creating the Marlboro country image and then have it happen that people go to a store and find an offer there, for instance, that they could have gotten a digital alarm clock at half price for buying two cartons of Marlboro. Marlboro country and digital alarm clocks go together as well as oil and water.

"We are convinced that the sales promotion of our brands can only be an immediate continuation of the particular brand personality that we convey in our advertising. We have no interest in selling alarm clocks--our business is the manufacture and sale of cigarettes. In addition, an accurate continuation of the brand image in the sales promotion should support the deliberate continuity of the presentation of the brand personality. For this reason, in recent years we included the following, among other measures, in the Marlboro promotion:

"The Marlboro Country Store, a collection of Western-style clothing and memorabilia.

"The Marlboro Chuckwagon Cookbook, a collection of genuine trail cooking recipes adapted to modern conveniences.

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"The Western-Art-Collection, which features original works by the famous cowboy artist, Charles M. Russell, with all proceeds from the promotion going to the Cowboy Hall of Fame.

"The Belt-and-Buckle-Promotion--the buckle was cast from an original sculpture we commissioned by an artist famous for Western subject matter.

"The Range Jacket, of which we sold more than a million dollars worth.

"The Carving Set, a collection of various pieces of cutlery and a chopping block, all designed in keeping with the heritage of the West.

"The Traildriver Shirt, a shirt worn by the horse soldiers as they opened the frontier.

"The Chili Cookin' Offer, our latest of food-related Western promotions.

"All these promotions were designed to enhance and reinforce at point of sale the image and personality of the Marlboro brand.

"The net effect of all these brand-oriented promotions is that when consumers enter a store, they see our brands merchandised in the same manner they are advertised, and we further consolidate that well-defined and singular image we have created in advertising.

"And don't think for a minute that singularity is unimportant. As Sherlock Holmes formulated it so accurately in The Bascombe Valley Mystery, 'It seems to me one of those simple cases which are so extremely difficult... That sounds a little

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paradoxical...But it is profoundly true. Singularity is almost invariably a clue...The more featureless and commonplace a crime is, the more difficult it is to bring it home.'

"We believe that the more featureless and commonplace marketing is, the more difficult it is to bring it home.

"In closing, I would like to make two observations. First of all, you should not let the well-known brand advertising and sales successes we have reviewed today convince you that we at Philip Morris have some mysterious or magical powers of knowing how to manage advertising.

"It is a very simple and practical philosophy we employ: (1) Create a brand image or personality that relates to the most important characteristic of the product; (2) In every aspect of presenting that product to the public, utilize a consistent, single-minded marketing application of that image. In doing so, each ad, each week of ads, each month of ads, each year of ads contribute to an ever-increasing awareness of what the product stands for.

"That, in its simplest form, is the Philip Morris philosophy--a philosophy which I'm proud and happy to say has been proven out over the years...."

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MARLBORO DIVERSIFIES

After launching the soft-pack Marlboro, the 100 mm Marlboro in the red package was test-marketed in Seattle, Spokane, and Washington. Just eight months later, the 100 mm Marlboro with the new ventilation filter was introduced. At the same time, in October 1970, the American cigarette producers voluntarily made an agreement to indicate the tar and nicotine levels in all advertising.

During this same period a situation developed in New York that caused the management of Philip Morris to take another very successful and unprecedented step in the tobacco industry. The then mayor, John Lindsay, planned to introduce a tar and nicotine tax. In this manner the pleasure of cigarettes with a high tar level were to be punished. The higher selling price resulting from the additional tax was intended to induce the consumers to smoke cigarettes with lower tar levels.

"Now that was a danger for our Marlboro," as Joseph F. Cullman described the situation at that time, "because with Marlboro we were number one. We would have had to ask four cents more per package of Marlboro than for Kent, our keenest competitor in New York."

"With this statement of the mayor's intention, I left for the weekend and was really very, very concerned. The next Monday around 9:30 I went to John Landry in the office and asked him what he would think of a Marlboro with the same tobacco mixture but with just one small difference that it had a little less tar, and we would simply call it 'Marlboro Mild.'"

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"He said, 'I'm in favor of it if we call it Marlboro Light.' So simple--that's really just how simple the decision and idea was to put Marlboro Light on the market.

"With this decision, Marlboro was the first cigarette in the world to launch two different products with the same name. As simple as the decision to do it was, as difficult and dangerous was the launching on the market in January 1972. The ban on TV advertising was already in effect, robbing Philip Morris of the most important and effective instrument for a swift introduction on the market. On the other hand, the Marlboro brand, with its preeminently successful packaging with the red top, was threatened by a kind of cannibalism. For this problem, too, John Landry and his team found a perfect, prophetic solution.

"When we introduced Marlboro Lights, we at the beginning made a modified version of the Marlboro country advertising. At first we used the drawings of the Marlboro country campaign, not the etched, sharp photos. And during the introductory phase we never tested Marlboro Lights without simultaneously showing the red Marlboro packaging. That was almost something like an apology, a defense.

"Our test units consisted of two arches that held four test packages. On one side was the regular Marlboro with the red top, on the other side the Marlboro Lights test packaging. The headline on one side was 'The Famous Marlboro Red,' and the other arch holding the new product, Marlboro Lights, read, 'Or for the smoker who prefers the mild flavor of a light cigarette,

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Marlboro Lights.'

"After the introductory phase the advertising was made more similar. For Marlboro Lights we used in the photography brighter shades that were more adapted to the gold shade of the package of Marlboro Lights. Otherwise, though, the advertising in our campaign remained faithful in stressing the Western landscape and the cowboy.

Marlboro Lights sold sensationally well. But that wasn't all: Marlboro finished the year, December 1972, as the bestselling cigarette in the world. The breakthrough to being the number one market leader in the whole world had been achieved and from this time on was never abandoned.

Joseph F. Cullman: "A short time later we confirmed that several comparable light cigarettes from our competitors tasted better than our Marlboro Lights. We had to make several corrections. The tobacco mixture and the filter were changed, and Marlboro Lights are now the best-selling low-tar cigarette in the world and in the United States."

Three years later, in December 1975, Marlboro for the first time finished the year as the market leader in the U.S. and was called the best-selling cigarette of all times. In 1978, 100mm Marlboro Lights were introduced nationally in the soft-pack and in September 1978 in the king-size flip-top box.

#### TV Advertising

The commercials on American television were magnificent candid shots of the absolutely inexhaustible topic of the West.

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Fascinating, arresting pictures accompanied by the familiar melody from the film, "The Glorious Seven," with pointed, informative, and non-partisan commentary. Following one of the successful, exemplary texts to the action-filled shots of a free, untrammelled stallion in the infinite expanse and beauty of the American West: "Today you hardly see any more wild horses. No, you no longer see wild horses, and even if he snaps three of your best studs, he is one of the last of this wild and unique breed. Come to the place where the taste can be found, come to Marlboro country."

#### THE BAN ON TV ADVERTISING

In 1969 a ban on radio and TV advertising was passed by the American Congress. Following a six-month warning period, the measure went into effect on January 2, 1971.

Georg Weissman: "They had given us one more occasion to win the superbowl (the highest sports trophy in American football). Marlboro suffered from the measure and profited from it. It suffered in the sense that nothing portrayed our Marlboro campaign as effectively as television advertising. The people enjoyed this dynamic, entertaining advertising.

"An additional disadvantage of the TV ban was that we lost the broad spread of our advertising. We would have had today a 55 percent share of the market instead of 22.4 percent. Under competitive conditions we once again were lucky. No other cigarette brand lent itself so well to the print media and outdoor advertising. I would say that pro and con are just

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about equal. On the one hand, we lost the immense effectiveness of splendidly filmed advertising spots. On the other, we fought back better than the competition."

John Landry, the originator and most vehement protagonist for the Marlboro country campaign, discerned still another phenomenon: "The fact that the Marlboro country campaign could be so well adapted to the print media and outdoor advertising explains why there are still people who are quite surprised to learn that TV and movie advertising has been banned for more than 15 years. For them, the image has remained the same. It looks today exactly as it did at the time when we could be seen on television.

"Granted, we no longer have the music from 'The Glorious Seven,' and we can no longer profit from the immediate action of a TV ad. Admittedly there is only the photo, the frozen scene, but the mood has remained the same. The character of our advertising that once appeared on the screen has remained the same. I believe that Marlboro lent itself to being adapted to the print media better than any other cigarette brand. Other brands such as Winston, L & M, or Salem were less successful in switching to these new forms of media that remained to us after the TV ban."

Just how difficult it was for the competitor, Winston, for example, is shown by the following of the various advertising messages for Reynolds' flagship. While Marlboro used the same slogan from 1968 to 1979, "Come to where the flavor is. Come to Marlboro Country," Winston changed its advertising slogan year

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after year:

- 1968: "Flavor your fun with Winston."  
1969: "Me and my Winstons."  
1970: "Winston tastes good like a cigarette should."  
1971: "Winston's down home taste."  
1972: "How good it is with Winston's full flavor."  
1973: "There's a lot of good between Winston and should."  
1974: "Ask me why I smoke Winston."  
1975: "I don't smoke to be more like everyone else."  
1976: "My cigarette has two jobs."  
1977: "I won't settle for anything less than taste."  
1978: "Taste is why I smoke Winston."  
1979: When your taste grows up, Winston out-tastes them all."

Budgetary Change Resulting from the Ban on TV and Radio  
Advertising

Television and radio are among the most expensive of all media. With the ban on TV and radio that went into effect on January 2, 1971, the advertising expenditures in the U.S. shifted quite drastically.

The Marlboro advertising had begun very modestly. In 1955 a total value of \$2,175,810 was spent in print media advertising. For outdoor advertising Philip Morris spent \$40,164, and the budget for TV and radio advertising amounted to \$275,037. By adding the production costs of \$275,037, the total volume for advertising in 1955 comes to \$4,633,654.

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With somewhat more than \$1.8 million, advertising in daily newspapers devoured the lion's share of the total budget. Just one year later, in 1956, the priority had completely shifted. While the print media had to get along with barely \$3.4 million, the advertising budget devoured as much as \$4,455,267 for the electronic media.

Total costs in the advertising year 1956 amounted to \$8,347,801. In the business year 1970 before the advertising ban went into effect on TV and radio, the budget for the electronic media reached the record amount of \$16,952,201. In comparison, expenditures in the print media reached a total of \$4,366,591.

At this point it is worth mentioning that this total budget was expended exclusively in magazines. In 1970 there were neither expenditures for newspaper supplements nor for ads in daily newspapers. The expenditures for outside advertising, \$458,765, was also relatively modest.

In the first two days of 1971, the electronic media devoured only \$946,470. With an only slighter higher total budget of \$24,342,280 in 1970, the daily newspapers and the leasers of billboards for outdoor advertising profited from the savings. The budget for daily newspapers leaped from zero to approximately \$6 million, and \$7,277,488 was spent on outdoor advertising.

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In the following years, the budgets were reallocated based on sales volume, reaching the impressive amount in 1985 as follows:

	<u>Marlboro</u>	<u>Marlboro Lights</u>	<u>Marlboro 25's</u>	<u>Total</u>
Magazines	\$ 17.648.304	11.609.606	11.149.166	40.407.076
Inserts	227.712	3.196.192	2.734.397	6.158.301
Daily Newspapers	5.119.066	3.000.241	23.385.806	31.505.113
 Print-Media Total	 22.995.082	 17.806.039	 37.269.369	 78.070.490
 Outdoor Adv.: Vehicles	 23.448.935	 9.462.744	 7.971.712	 40.662.258
 Outdoor Adv.: Pedestrians	 2.448.935	 123.622	 546.532	 3.119.089
 Outdoor Adv. Total	 25.676.737	 9.586.366	 8.518.244	 43.781.347
  Media Adv. Total	  48.671.819	  27.392.405	  45.787.613	  121.851.837
 Production Costs	 11.766.763	 ---	 897.327	 12.664.089
 Adv. Budget	 60.438.582	 27.392.405	 46.684.940	 134.515.926
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The significance that the advertising expenditures by the cigarette industry has for the American newspaper and magazine market is shown by the 1981 budgets of the 18 leading cigarette brands in the U.S.:

Brand/company	Total	Magazines	Inserts	Newspapers	Outdoor Adv.
Barclay (Brown & Williamson)	\$107,779,000	\$38,255,000	\$11,840,000	\$18,679,000	\$34,910,000
Merit (Philip Morris)	75,228,000	20,747,000	3,568,000	38,133,000	12,780,000
Winston (R. J. Reynolds)	67,655,000	20,545,000	2,919,000	29,171,000	15,020,000
Marlboro (Philip Morris)	59,356,000	27,037,000	1,305,000	16,731,000	14,283,000
Vantage (R. J. Reynolds)	58,393,000	19,787,000	3,680,000	28,514,000	6,412,000
Kent (Loews)	55,276,000	13,257,000	7,100,000	27,369,000	7,550,000
Salem (R. J. Reynolds)	48,811,000	13,146,000	1,913,000	22,311,000	11,441,000
More (R. J. Reynolds)	44,106,000	12,607,000	2,545,000	24,000,000	4,954,000
Benson & Hedges (Phillip Morris)	35,871,000	19,485,000	4,800,000	7,032,000	4,554,000
Now (R. J. Reynolds)	35,002,000	12,300,000	4,622,000	18,025,000	55,000
Camel (R. J. Reynolds)	34,269,000	8,917,000	—	14,566,000	10,786,000
Virginia Slims (Philip Morris)	31,523,000	16,923,000	3,308,000	6,464,000	4,828,000
Carlton (Amer. Brands)	30,397,000	11,747,000	—	10,321,000	8,189,000
Cambridge (Philip Morris)	24,542,000	7,548,000	2,435,000	13,382,000	1,177,000
Newport (Lorillard)	20,310,000	6,053,000	247,000	6,070,000	7,940,000
Kool (Brown & Williamson)	19,886,000	10,167,000	1,317,000	4,821,000	3,581,000
Triumph (Lorillard)	17,032,000	8,857,000	629,000	4,340,000	3,206,000
True (Lorillard)	15,782,000	5,267,000	907,000	5,409,000	4,299,000
<b>Total</b>	<b>781,218,000</b>	<b>272,645,000</b>	<b>53,135,000</b>	<b>295,534,000</b>	<b>165,365,000</b>

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## Commentary Concerning the TV Ban

On March 23, 1971 John Landry analyzed for the Advertising Club of Metropolitan Washington the effects of the ban on radio and television advertising:

"Before the end of our radio and television advertising, which took place on January 2 of this year, there was considerable conjecture about how the tobacco industry was planning to evade the new regulations. In the three months subsequent to that, our industry has demonstrated its intention to adhere in good faith to the letter and the spirit of the law governing the advertising of our products.

"With the end of radio and television advertising, there were those who anticipated two important things would happen:

"1. There would be a marked decline in the sale of cigarettes in the United States.

"2. Advertising agencies with tobacco accounts would suffer drastically from this loss of revenue.

"Three months later, we see that this has not happened at all. The total cigarette industry will probably conclude this quarter with a sales increase of  $1\frac{1}{2}$  to 2 percent over the first quarter of 1970.

"In the case of Philip Morris, this past January was the best in the history of my company; and our first quarter will show an increase of approximately 7.5 % over 1970; and Marlboro, our leading brand, will be up another 12%.

"The fact that our industry is continuing to make progress

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despite the unprecedented attacks against it, some of them totally irresponsible and without foundation, proves that the American public is more sophisticated and independent than some people would have you believe.

"A government survey showed that an overwhelming percentage of the American public is fully aware of the smoking and health controversy. You cannot say that people continue to smoke cigarettes simply because they haven't heard about the health questions.

"They see it on television; they read about it in the newspapers, they are constantly reminded by the anti-smoking groups. But I believe they also know that despite all these charges, there is today still no scientific proof to show that smoking cigarettes causes any disease in human beings.

"The most recent attempt to make this connection was the well-publicized smoking dog experiment. The American Cancer Society at a Waldorf-Astoria press conference announced that they had at last been able to prove that cancer occurred in the throats of dogs who were made to smoke cigarettes. Subsequently, this so-called scientific study was found to be a hoax; and leading medical journals refused to publish this study.

"Of course, there are those who honestly and legitimately endorse the position of the anti-smoking groups. But a substantial part of our opposition comes from groups who have gotten on the anti-smoking bandwagon because they find it a useful device for raising money. And some do it for political

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or religious reasons.

"Those who believed the industry would suffer because of the radio and television ban did not realize the scope of this industry. Tobacco has become, over many years, a very basic and important product to many millions of people all around the world. It has deep and important roots in the economy and the culture of our nation. Tobacco represents an industry of \$10 billion a year at retail in the U.S. alone. No product can become so universally important unless it is a very basic commodity. These are some of the reasons why I believe going off radio and television does not alter the course of our industry.

"Tobacco became a major industry long before radio and television. In a number of countries in Europe, there is no media advertising of cigarettes at all; and the industry has continued to grow. In the United Kingdom, the industry went off radio and television in 1965; and since that time, it has continued to grow at an even more rapid rate. And, as I mentioned before, the industry continues to grow in the United States. I don't mean for anyone to conclude from this that it's beneficial not to advertise on radio and television. To some less basic industry this would be a crippling blow.

"Any of us associated with the advertising business today should be quite concerned about the precedent that was set in regard to cigarette advertising. The FCC's willingness to apply the Fairness Doctrine against cigarettes makes every consumer product vulnerable to the same treatment. It is an indefensible

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government encroachment upon the rights to legitimate products to advertise and may well affect a great many more businesses in the United States.

"I think you've been seeing some indications of this just in recent weeks. Ours may be a case history that a lot of advertising people will be studying to better prepare themselves for their own, more personal issues.

"The second result expected from the end of radio and television advertising of cigarettes was its adverse effect upon the advertising agencies who have cigarette accounts. I don't believe cigarette marketing budgets were reduced significantly. Without the benefit of the electronic media, most companies place more emphasis upon the total marketing mix, including the sales organization, in-store advertising, various promotions; newspapers, magazine and outdoor media.

"At Philip Morris, we have a very close working relationship with our advertising agencies to the extent that they are full partners in our marketing effort. Agencies who simply produced television commercials undoubtedly lost business, but the people at Leo Burnett and Wells, Rich, Greene provide a more basic service than just turning out advertising. They are closely involved with our marketing strategy, new product development, packaging, and a number of other important activities that go far beyond the traditional agency services. I believe agencies who become as valuable to their clients as Leo Burnett and Wells, Rich, Greene have become to Philip Morris are hardly affected by the loss of television advertising.

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"The end of electronic media, for us, has meant a closer and even more interdependent relationship with our agencies.

"Additionally, the heightened interest in consumerism provides greater opportunities for the advertising industry. It can be a major factor in the development of new and better products and help elevate the quality of life in this nation. Consumerism is an issue that no responsible manufacturer has any fear of. On the contrary, we, who produce quality products at a fair price, believe the more that people know about the products they purchase, the better off we will be in the long run."

In a recent address to the graduate students at the University of Virginia, Chairman of the Board of Philip Morris, Mr. Joseph F. Cullman, III, said:

"People expect and demand from business far more than they did in the past. They are right: As customers, they want better goods at a lower price and more conveniently available. They want safety, honest advertising, and more product information. As employees, they expect business to provide better jobs, more interesting jobs, better working conditions, and a wider variety of fringe benefits. As citizens, they anticipate still more from business, including a sense of responsibility for our physical and social environment, and an open-handed commitment in helping to rectify what is wrong.

"These 'rising expectations', on the part of all segments of our society, constitute one of the most important influences upon American business today."

"I believe what Mr. Cullman said about business applies

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equally to the advertising agencies who serve American business.

"We have long believed that the role of cigarette advertising is to attract smokers from competitive brands rather than induce non-smokers to start smoking. We failed to convince the FCC of this, but the truth of our contention is borne out by our industry's experience since the TV ban. Within a relatively stable market, some companies have continued to gain while others lost. Some brands have increased their share of market while others have declined.

"The success that Philip Morris enjoys, we believe, is due to a combination of many factors.

"We believe we have had superior advertising, and we've tried to make the quality of all our other activities on the same level. In addition, we are fortunate in having a young and innovative management team that has not been afraid to try new ideas.

"In addition to cigarettes, Philip Morris has gone into several other businesses, notably, our land development and home construction company and the Miller Brewing Company. However, our confidence in the cigarette industry remains undiminished as we continue to increase our sales and share of market both in the United States and around the world. Marlboro is not only the fastest-growing cigarette in the United States but has become the leading American brand around the world.

"The cigarette industry outside the U.S., in the free world, is growing at the rate of about 4% a year; and our international companies are growing at a rate far in excess of

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this. Philip Morris now sells as many cigarettes outside the United States as we do within our borders.

"Marlboro Country and the Marlboro Man now speak to consumers in French, German, Spanish, and dozens of other languages; and the appeal of the Marlboro image seems to transcend national borders and cultures. Because of the strong images of our major brands, Marlboro, Benson & Hedges, Virginia Slims, and Parliament--we have been able to translate our advertising successfully into print, outdoor and varied promotional activities.

"Advertising is one extension of the competitor situation among the various cigarette companies. Other major factors, of course, are the quality of product, the packaging, trade relations, consumer relations, the general image of the product, and the company.

"We like to feel that every facet of the marketing program at Philip Morris has been developed to a professional peak. However, if I were to single out any one activity to explain the unique success story of our company, I would point to our advertising.

"Our philosophy of establishing a strong, singular image for each of our major brands--and then of sticking faithfully to that personality with consistency and continuity--has proven itself during this past decade.

"Today, the new electronic ban does not cause us to change that advertising philosophy. Every one of our brands enjoys an image so clear, so well-defined and established, that our aim is

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simply to enhance and extend that personality.

"We are in a uniquely strong position today--I believe we will still be there for years to come.

"As the brand personality of our cigarettes became strongly established, the need for copy diminished--in fact, words became almost superfluous.

"Every promotion we run in support of our brands also is designed as a faithful extension of the established brand personality. We try to make every activity complement the basic theme.

"One last thought I'd like to leave with you: Although our industry seems to be able to survive the anti-smoking campaigns to date, it does not mean that we are immune to all forms of attack. John Marshall said, 'The power to tax includes the power to destroy.' Today, with the increased pressure on cities and states to find additional sources of revenues, many of them find it expedient to raise taxes on a number of consumer items.

"However, in the long run, much of this proves to be counter-productive and only serves to further slow down the economy. Many consumer products already bear a disproportionally heavy tax burden. Tobacco is only one of these items. In the United States the average tax on cigarettes is 19 cents per package. If the same rate of taxation were applied to all goods and services, your cost of living would go up nearly 47%.

"One can also say that the power to 'regulate' can be just as crippling. American business and industry are willing to

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accept fair and responsible governmental regulations. These regulations, however, should be based upon justifiable need and solid evidence, not propaganda.

"Both government and the public at large have vital interests in American business; and we, in business, feel a great debt of responsibility to serve the public the best way we know how. In this effort, responsible advertising plays a most significant role. Indeed, we are partners in serving the American consumer."

#### A Glance at the Future

The restrictions of the legislators toward the cigarette industry are constantly becoming more drastic and influential in regard to competition. The question is: How important is advertising for such an established international brand as Marlboro? Is it possible and necessary to make this brand still more famous? John Landry on this topic:

"The average smoker buys a pack of cigarettes every day. Twenty times a day our average smoker takes this package out of his pocket. The cigarette package is a very visible product. It is also, I believe, a very personal product. That does not, however, unconditionally contradict the primary awareness, for the consumer does not reflect on it much, but there is a certain connection there. This brand means something to him. He expects something very definite from this brand. It is therefore a very personal relationship, and twenty times a day

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the consumer identifies with it by taking the package from his pocket and placing it on the table or wherever. And although all this actually occurs quite unconsciously, I believe the consumer documents the fact that his conception of this brand is identical with what he himself would like to be.

"Advertising is used for the purpose of making present this consciousness in regard to the product as well as the personal attitude toward the product. We have to repeatedly make the consumer aware of the image a package of Marlboro stands for so he can identify himself with it through the purchase of a package."

translated by Martha Humphreys

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